

**Office of Inspector General
U.S. Department of State
U.S. Arms Control and Disarmament Agency
U.S. Information Agency, including
Broadcasting Board of Governors**

**Reports and Testimony
September 1998**

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issue date of the original report. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Reports Issued by the Office of Audits

Review of International Cooperative Administrative Support Services Program **(98-FM/IM-017)**

OIG reviewed the Bureau of Finance and Management Policy's management of the International Cooperative Administrative Support Services (ICASS) Program as it relates to achieving its legislative mandate. ICASS is a new way to manage and fund overseas support to U.S. Government agencies and is designed to spread the support costs in diplomatic missions more equitably. It incorporates many of the important pillars of entrepreneurial government supported by the National Performance Review as well as the principle, enunciated by the House Appropriations Committee, of agencies paying for the services they actually consume. Based on this audit work, OIG believes that the ICASS program is capable of delivering fair, understandable, reliable, timely, and auditable financial information. OIG recommended that FMP distribute more guidance regarding financial data; establish a baseline for the amount and number of furniture, fixtures, appliances, and equipment scheduled for replacement; improve software access controls and standardization; ensure that communications about the program and software are available for the staff; and thoroughly test software, ensuring that independent verification and validation recommendations are thoroughly analyzed and implemented.

Diplomatic Telecommunications Service Program Office (98-IM-019)

OIG initiated a review of the Diplomatic Telecommunications Service Program Office (DTSPPO) to determine how well the office was meeting the telecommunications needs of the foreign affairs community. In spite of significant improvements in telecommunications services since the 1995 OIG audit, many customers are frustrated at the length of time DTSPPO takes to satisfy customer requirements. The review identified inadequate funding as the primary reason for delays in DTSPPO's implementation of customer requirements; some of the office's inefficient internal processes further contribute to these delays. DTSPPO can better meet the telecommunications needs of the foreign affairs community by exploring newer technologies and more aggressively marketing its services. The audit recommended that DTSPPO charge for all telecommunications services it provides, develop performance measures for key business processes, and streamline procurement processes.

Housing Purchases and Warehouse Operations at Embassy Stockholm (98-PP-020)

In response to a request from Embassy Stockholm, OIG reviewed the purchase of 11 houses and 5 apartments, totaling approximately \$5.3 million during 1997, to ensure that the amounts paid were within appraisals previously established by the Office of Foreign Buildings Operations. In addition, because previous OIG post inspection reports had identified management

control weaknesses at the post warehouse, OIG conducted a review of management controls over warehouse operations. Based on the review, Embassy Stockholm paid a fair and reasonable price for the properties. However, embassy staff did not follow Federal Acquisition Regulation requirements for procuring goods and services. Also, separation of duties had not been implemented for personal property at the warehouse and warehouse property was not adequately secured. OIG recommended that the post :

- review and reassess cost estimates for the remaining make-ready projects and enhance managerial oversight for all make-ready projects,
- require procurement staff to follow contracting regulations,
- ensure that proper separation of duties is implemented over the personal property and warehouse management functions, and
- implement proper physical security of property stored in the warehouse.

Review of Allegations of Restricted Competition on the U.S. Information Agency's Master Control Facility Contract (USIA-98-PP-021)

In response to a Congressional request, the OIG reviewed allegations of restricted competition on the United States Information Agency (USIA) effort to procure an upgraded master control facility for the Voice of America. Although competition had been sought on this procurement, one company submitted the only offer and was awarded a \$6.2 million contract for this project. To prepare for this acquisition, USIA acquired the services of a broadcast engineering firm to conduct market research, prepare designs, and draft the Request for Proposal (RFP). Two companies raised concerns regarding the perceived restrictiveness of the RFP and this firm's role in the master control facility procurement.

OIG found that USIA conducted this procurement in a manner that hindered competition. The RFP contained functional requirements based on a component from one manufacturer that excluded most, if not all, other manufacturers, and USIA could not support its assertion that other capable manufacturers were available. A teaming agreement between the company and the manufacturer of this component hindered other contractors from submitting proposals based on this manufacturer's product. OIG also found that USIA hindered competition by using an inappropriate contract vehicle to procure acquisition support services. Costs to the government were increased, and USIA did not recognize that the contractor personnel performing these services were not under the same ethical or legal constraints that apply to government personnel. The actions of one contractor office and the circumstances surrounding the master control facility procurement raised questions about the integrity of the acquisition process.

OIG recommended that USIA improve contracting practices and seek repayment of certain costs associated with the contract for acquisition support services. OIG also recommended that USIA adequately protect nonpublic information, closely monitor contractor activities, and specify the level of documentation that contractors conducting market research should maintain.

Bureau of African Affairs Support for U.S. Business (98-CI-022)

OIG reviewed activities of the Bureau of African Affairs (AF) to promote and support U.S. business overseas. In sub-Saharan Africa, AF has primary responsibility at 35 posts to promote and support U.S. commercial activities. AF posts have made a major commitment of personnel and financial resources to assist U.S. business in Africa. However, OIG found AF does not have a coordinated management structure in Washington to promote and support overseas activities, and that 60 percent of officers arriving at posts are not trained to fully handle their commercial responsibilities. OIG recommended that AF, in coordination with the Office of the Coordinator for Business Affairs and the Office of Career Development and Assignments in the Bureau of Personnel, ensure that officers with commercial responsibilities receive formal training, if practical, before arriving at post. OIG also found that AF does not have a coordinated management structure to promote and support overseas commercial activities. OIG recommended that AF develop and coordinate bureau commercial initiatives, manage bureau export promotion efforts, and develop an export promotion strategy making use of the 25 initiatives outlined in the report.

Reports Issued by the Office of Inspections¹

Special Embassy Program (ISP/I-98-32)

OIG conducted a comprehensive inspection of the ability of this program to control costs at the 56 Special Embassy Program (SEP) posts, which represent one-third of all U.S. embassies. SEP posts are generally ready to perform their limited missions. However, the lack of a clearly defined, codified program combined with a lack of adherence to guidelines, has led to confusion about what the SEP is, how it works, and what it is supposed to accomplish. A thoroughly defined and regulated program, strongly supported by management and coordinated closely with all bureaus, could promote the results envisioned by the Department.

Through the use of a questionnaire and visits to nine embassies, OIG evaluated the diplomatic readiness and overall effectiveness of these posts, whose diminutive staffing often belies their importance. Specifically, OIG recommended that the Department provide more support to the smaller posts in terms of staffing, training, program definition, taskings, and centralized translations of various documents. Many problems at the Special Embassy posts relate to different ranking of the mission priorities by various U.S. Government agencies. The staffing levels are correspondingly slanted, based on the role of the post, causing many of the officers to be overworked, particularly in the administrative area. Also, because many of the post personnel are forced to perform duties outside of their normal specialties, there is a need for more cross-training. The Department concurred with the recommendations that the program receive greater support, recognizing that while the problems are universal in many instances, they are exacerbated in the smaller posts.

Embassy Pretoria, Republic of South Africa, and Constituent Posts, and U.S. Information Service South Africa (ISP/I-98-33)

Embassy Pretoria and its constituent posts play a critical role in support of South Africa's political, economic, and social transformation. Embassy management excels at articulating a broad mission vision and at mobilizing all mission resources on its behalf. During the apartheid era, the mission was rather small and oriented toward classical reporting functions. With the advent of a multiracial democracy in South Africa, Embassy Pretoria has become a highly

¹ Inspections carried out by the Office of Inspections comprehensively review the operations and overall management of a given post, mission, bureau, or office of the Department of State, Arms Control and Disarmament Agency, U.S. Information Agency, or the Broadcasting Board of Governors, without attempting to evaluate in-depth any particular function or program. Their main purpose is to bring important issues and management deficiencies to the attention of senior management together with recommendations for corrective action, although they also include self-evaluation and self-correction through counseling.

operational post focused on management of a friendly, expanding, and complex bilateral relationship. Growing pains are evident. The embassy was unprepared for the sudden influx of law enforcement agencies—many of whose officers betray a sense of estrangement from the mission—and other nontraditional foreign affairs agencies.

The U.S.-South Africa (“Gore-Mbeki”) Binational Commission process is the premier mechanism for prioritizing and managing bilateral relations. While the process has yielded significant achievements, it is time to take stock and perhaps to scale back the scope of the meetings and reduce the frequency to one per year.

The Ambassador’s corporate model for managing the mission has been highly successful, at the country team level, in forging consensus and teamwork on behalf of a shared vision and program of action. Morale problems exist at lower levels, a situation exacerbated by the Ambassador’s necessarily lengthy stay in Cape Town during the annual shift of national capitals for the parliamentary session. The current approach to staffing of the switch to Cape Town entails long-term, temporary-duty assignments, maintenance of a residence in each capital for eight officers, a loss of effective managerial oversight in some areas, an attendant deterioration in efficiency and morale, and higher costs than warranted. Adjustments are recommended.

Front office oversight and attention to management controls must be strengthened. Chief of mission certifications addressing the adequacy of management control did not portray actual conditions. Control over expendable and nonexpendable supplies at Embassy Pretoria and its constituent posts is lacking; causes and solutions for a reported inventory loss of over \$800,000 are yet to be determined. Financial management operations must be improved so as to provide acceptable service to customers, and to restore embassy credibility with vendors.

The Ambassador appreciates the need for public diplomacy, and excels at this facet of the job. USIS public diplomacy programs and strategies are well integrated into the work of the mission, and crafted so as to advance the goals and objectives stipulated in the MPP. Consulate General Durban’s political raison d’être may diminish following the 1999 national elections, after which the Department of State should undertake a comprehensive review of U.S. interests to determine whether the post should be closed.

Embassy The Hague, Netherlands, Constituent Post, and the U.S. Information Service Netherlands (ISP/I-98-37)

An uncommonly congenial policy environment allows Embassy The Hague to pursue with the Netherlands Government an active diplomatic dialogue that covers all major world

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issues. Access is extraordinary. Economic and commercial ties and common values strengthen the relationship. It cannot be assumed, however, that changes taking place in European and Atlantic institutions will have no effect.

The embassy is well led. Mission performance planning, with the new strategic concepts and budget planning processes, has been difficult. Much of this year's exercise was a trial period. Interagency coordination of military affairs and law enforcement does not have major problems, although Dutch law impedes cooperation in some law enforcement sectors.

Two embassy sections, which work exclusively with international organizations but are also accredited to the Dutch Government, are well integrated into the mission. The separate political and economic sections deliver a high-quality product under tight deadlines. Consulate General Amsterdam is the consular section of the embassy. Correctly sized to meet the demand for its services, most of which originate in Amsterdam, and to carry out a useful representational role as well, it could also support the embassy's trade promotion. Consular services are outstanding, but procedural improvements could increase productivity and spread the workload more equitably.

USIS is fully integrated into mission activities. It conducts a full range of programs reaching out to diverse institutions in academia, the media, and think tanks. The embassy home page is a model of technology in the service of public diplomacy. The international visitors program should de-emphasize government officials to include other opinion makers. The NATO tours should be abandoned. A highly praised American staff oversees an efficient administrative operation with FSNs of generally high quality. Budget and fiscal operations reflect the limited experience of some employees and are complicated by unclear lines of authority.

All agencies participate in the International Cooperative Administrative Support Services (ICASS) Program. Information management is efficiently provided by one fewer staff member than the post believes necessary for the workload. Considerable savings and opportunities to upgrade circuits have been achieved in negotiations with the Netherlands telephone company. Management controls need tightening in some of the administrative areas in The Hague and Amsterdam and in consular operations in Amsterdam. Fulbright Commission management also needs improvement.

Embassy Prague, Czech Republic, and the U.S. Information Service Czech Republic (ISP/ I-98-38)

The Czech Republic is busy shedding vestiges of its communist past and adjusting to its divorce from Slovakia. The U.S. Embassy plays a mentoring role in support of Czech efforts to consolidate democracy, humanize their capitalistic system, and facilitate their NATO membership. Mission management is strong and highly focused, and policy implementation is effective. Military affairs have unusual dimensions (Czech admission to NATO) and should be more closely coordinated. Reporting by the combined political-economic section covers essentials, provides analysis, and is of good quality. Greater breadth and depth of reporting should be possible with a

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broadening of parameters and the arrival of additional officers. The advocacy function involves providing advice and assistance to the development of Czech governmental institutions. In the past year, the consular manager has turned around the public image of the consular section and improved the work environment by implementing several innovative consular “best practices.” Additional planned changes should further improve customer service and address management control concerns. Public diplomacy encompasses a varied and balanced program well calibrated between fulfilling U.S. goals and responding to Czech requests.

Though otherwise productive, relations between USIS and the embassy have been colored by a disagreement about whether USIS should move from commercial quarters into empty space in the chancery. OIG advised the embassy to revise its space proposal to include a nearby U.S. Government-owned house and urged USIA to agree to the move. Overall administrative performance and morale are good. The complexity of the Czech banking system and a number of other difficulties arising from the transition to a market economy justify a full-time financial management position. The installation of A Logical Modernization Approach (ALMA), the Department’s unclassified systems modernization project, will meet some of the post’s communication needs. Although no major management control deficiency was noted, some corrections are necessary in budget and fiscal, personnel, and consular operations.

U.S. Observer Mission to the United Nations Educational, Scientific and Cultural Organization (UNESCO), Paris, France (ISP/I-98-39)

The United States withdrew from UNESCO in 1984. In 1986, the United States established an observer mission under an FS-02 Foreign Service officer, which has been effective in promoting U.S. interests. General Accounting Office reports in 1992 and 1993 documented significant management reform in UNESCO, and a 1993 interagency working group recommended that the United States rejoin the organization. Budgetary constraints have frozen the process. Even so, the acknowledged American lead in virtually every UNESCO area enables the United States to exert influence through participation in various program-related meetings by American officials with specialized expertise. The incumbent observer has done an excellent job of securing American access and suggesting strategies for advancing U.S. positions. However, UNESCO member states criticize the selective nature of our observer representation, arguing that the UN system is not supposed to function on an “a la carte” basis. Nonmembership in UNESCO realizes savings from unpaid assessments, but there is also a cost in terms of foregone influence on the structure and management of the organization. The ultimate risk is that nonmembership in UNESCO may diminish opportunities to press American commercial interests and cultural values in sensitive new areas such as bioethics and the form and content of the global information infrastructure.

Africa Regional Services, Paris, France (ISP/I-98-40)

The Africa Regional Services (ARS), Paris, France, which provides products and services to African and Middle Eastern posts, has retained its relevance to clients and audiences for 35

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years. It was almost abolished, but survived because of strong protests from the posts it serves and the persuasive efforts of its director. Since 1996, ARS Paris has weathered drastic budget reductions of 40 percent in its general operation expenses, and cuts of one of three American officers plus 22 of 39 FSN positions. OIG found apprehension about possible further, perhaps fatal, cuts, but they also found a surprising degree of enthusiasm about the work on the part of a highly motivated staff. The ARS Paris formula of providing French language books, pamphlets and periodicals, videos, and bibliographic services, as well as French speakers and performing artists, has assisted posts to meet their program goals and objectives. The testimony of the posts, the quality and relevancy of the materials, and the continuing smooth and steady pace of the distribution of the products and services, lead to the conclusion that ARS should be retained, and that it should remain in Paris, where resources are located.

Eliminating duplication by consolidating ARS Paris and USIS France administrative functions could achieve management efficiencies for both. A review of these administrative sections revealed that the combined workload could be handled with one fewer staff person. Estimated savings of approximately \$78,000 in annual salary costs, as well as additional savings from the elimination of duplicate services, could be achieved. Approximately \$480,000 in recycled book program funds have accumulated over several years. These funds, legislatively restricted to book program use, will be used to purchase books already in print.

U.S. Mission to the Organization for Economic Cooperation and Development, Paris, France (ISP/I-98-41)

The OECD is a more effective forum than is widely realized for the United States to address important international economic and environmental issues. The U.S. mission's work has, for example, produced an agreement among key trading partners restricting bribery, but the post suffers from poor interagency relations. Much of this stems from an unsuccessful merger of the science and economic sections following the abolition of the science counselor's position in 1996. Until that issue is resolved, proposals for two new positions—not supported by a hard analysis of workloads or the mission performance plan—should not be approved. Post management has a clear sense of strategic purpose, but has not yet knit the representatives of different agencies—assigned there after the State Department downgraded the economics, environment, science, and technology function and reduced Foreign Service positions—into a single team. As at other international organizations, efforts to reduce the U.S. share of the OECD's budget generate resistance and require major mission efforts. However, they appear to be succeeding in reforming OECD's budget and refocusing its work on issues of priority to the U.S. Government.

Embassy Paris, France, Constituent Posts, and the U.S. Information Service, France (ISP/ I-98-42)

Relations with France are vital to U.S. interests and require careful handling as France resists American "hegemony." Despite its sprawling size, the embassy is a smoothly functioning mission with high morale. It is being given a clear, strategic policy focus by a highly qualified new

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Ambassador and deputy chief of mission, whose close cooperation is one of the mission's strong points. The mission performance plan is used to shift the post's priorities to a greater emphasis on economic over political and security issues. An arrangement under which a State Department minister-counselor coordinates the work of the six economic agencies at post has successfully reduced the frictions that the 1993 inspection found between the Treasury and State Departments. The mission's greatest weakness stems from the abolition in 1997 of its internal political section, which has left the post exposed to possible surprise concerning French political developments, a gradual erosion of essential contacts, and an inability to cover adequately the important labor function. The OIG supports the new Ambassador's initiative to reestablish a limited U.S. presence outside Paris, where the United States has closed consulates in Lyon and Bordeaux, in areas emerging as centers of new, transborder economic regions in an increasingly integrated Europe. The economic section will have to take on major new responsibilities in the financial area if Treasury withdraws its attaché as planned in 1999. By contrast, the political section is not adequately staffed to assume the work of a Defense Department political-military unit if it is withdrawn by the Defense Department as planned in 1999. Consulate General Strasbourg should be made an embassy office, as its most important function is not consular but contact with the Council of Europe. The principal officer's residence in Strasbourg is too large for the role played by the consul general, and should be sold. Administrative areas, management controls, and ICASS all appear to be in good shape.

Bureau of East Asian and Pacific Affairs (ISP/ I-98-43)

The fundamental goal of the United States in the East Asia and Pacific region remains the promotion of a peaceful, stable, and prosperous Pacific community, friendly to U.S. interests and values. In pursuing that goal, the Bureau of East Asian and Pacific Affairs is working hard and well to address many challenges. The Asian financial crisis has rapidly turned the region from an economic power to a focal point of deep and on-going economic and financial concern and has shaken governments from Japan to Thailand and Indonesia. Although primary responsibility for dealing with the financial crisis lies with the Department of the Treasury, the bureau has played a key supporting role, particularly through the energy and influence of the Assistant Secretary and the efforts of the Ambassador for Asia-Pacific Economic Cooperation (APEC). At the same time, the bureau is endeavoring to promote democracy and human rights in China, Burma, Cambodia, and elsewhere, while maintaining stability on the Korean Peninsula and Taiwan. The bureau is also active in helping Asia cope with some of the world's worst environmental problems.

Internal communication needs to be strengthened. The Assistant Secretary's peripatetic, intense, and highly personalized operating style has led to deficiencies in vertical communication that often leave offices unsure of broader policy goals and that have lowered bureau morale. The bureau needs to strengthen its economic capability. Its Economic Policy Office, which now handles only APEC, should provide hard economic analysis, and the Ambassador to APEC should be given formal responsibility for regional economic and commercial issues. Additional staffing and reorganization are required in the Executive Office to cure weaknesses in the personnel and information management areas as well as in controls over purchasing and property management.

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Reports Issued by the Office of Security and Intelligence Oversight²

Embassy Guatemala City, Guatemala (SIO/I-98-42)

Embassy Guatemala City has too many official off-site locations; these locations represent a host of agencies with different security needs and security profiles. A consolidation of these offices into fewer locations would make the security program more manageable.

Bomb Procedures at Overseas Diplomatic Facilities (SIO/I-98-43)

In the aftermath of the bombings of Embassies Nairobi and Dar es Salaam, it became apparent that a change in embassy bomb procedures could save lives and limit casualties. This report recommended augmenting embassy procedures by adding some specific new measures for responding to vehicle bomb attacks.

Status Report on Moscow Secure Chancery Facilities Project (SIO/M-98-44)

This report summarized issues identified during the Moscow Oversight Team's review of the Secure Chancery Facilities construction project from October 1997 to May 1998 and described the most significant areas of oversight. Overall, the construction project is proceeding satisfactorily. The general contractor's current estimate shows a project completion date of October 1999. The report noted several issues requiring action, and recommendations were made where indicated.

Status Report on Transition and Master Planning for the Moscow Secure Chancery Facilities (SIO/M-98-45)

This report summarized the Moscow Oversight Team's review of the Department's planning for the occupation and future use of embassy facilities in Moscow, Russia, conducted in conjunction with OIG's regular, periodic review of the construction from October 1997 to May 1998. The report focused on three interrelated and increasingly complex management

² Inspections undertaken by the Office of Security and Intelligence Oversight (SIO) evaluate the formulation, dissemination, and applicability of security standards set in Washington and their implementation at all U.S. diplomatic posts abroad. The SIO inspections assess the ability of each post to respond to threats from terrorism, mob, or other physical intrusion, hostile intelligence activities, and crime, and recommend specific corrective actions to eliminate or reduce the security vulnerabilities identified. Because they discuss specific security problems at the inspected posts, the reports are classified and are distributed on a strict need-to-know basis.

challenges: the commissioning of the new chancery, the move into the facility, and planning for future post operations. The report made recommendations to address several issues requiring action in the near term before the new chancery is completed.

Embassy Buenos Aires, Argentina (SIO/I-98-47)

Embassy Buenos Aires has done a good job of adjusting its residential security program to meet the challenge of existing in a large metropolitan area with a high crime environment. The post has moved approximately 70 percent of American officers into apartments and plans to install central alarm monitoring systems in the approximately 35 single-family houses in the housing pool. The post has good 24-hour roving patrol coverage from the local guard contractor.

Embassy Santo Domingo, Dominican Republic (SIO/I-98-48)

Embassy Santo Domingo is doing an excellent job of managing its security programs, considering the difficulty of the task and its shortage of security personnel. For a mission of its size, the embassy has an inordinate number of facilities that are separate from the chancery. This makes security oversight much more difficult and complicates the security program. Improvement is needed in emergency preparedness, in particular, hurricane preparedness.

Management of Sensitive Compartmented Information Access (SIO/A-98-49)

OIG conducted this audit to evaluate the State Department's effectiveness in adjudicating employees' access to sensitive compartmented information (SCI) under provisions of the Director of Central Intelligence's directives.

A number of recommendations were made concerning the policy and procedures used to manage SCI access and to define the authorities and responsibilities of the offices which have a role in the administration of the SCI access.

Declassifying State Department Secrets (SIO/A-98-50)

The State Department has established a successful program for the automatic declassification of documents as mandated by Executive Order 12958, "Classified National Security Information." An OIG review of this declassification program was requested by a Member of Congress. The Department has released approximately 97 percent of the 48.7 million pages reviewed thus far. However, OIG found that the Department could implement the program in a more economical and effective manner. OIG recommended that the Undersecretary for Management: use overcomplement Foreign Service officers to reduce the Department's use of retired annuitants as declassifiers, coordinate with senior CIA management to facilitate the declassification of documents that reference Agency phrases and acronyms, and reassess the Department's declassification guidelines and their application to facilitate the declassification of documents that are of questionable sensitivity.